

**Operator:** Greetings, and welcome to Astronics Corporation's First Quarter 2018 Financial Results. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It is now my pleasure to turn the call over to your host, Deborah Pawlowski, Investor Relations for Astronics Corporation. Thank you. You may begin.

**Deborah Pawlowski:** Thank you, Rob, and good evening, everyone. We certainly appreciate your time today and your interest in Astronics. On the call with me are Peter Gundermann, our President and CEO; and Dave Burney, our Chief Financial Officer.

You should have in hand the news release that crossed the wires earlier today before the market, and if you don't, it's available on our website at [astronics.com](http://astronics.com).

As you are aware, we may make some forward-looking statements during the formal presentation as well as during the Q&A portion of this teleconference. These statements apply to future events that are subject to risks and uncertainties as well as other factors that could cause actual results to differ materially from where we are today. These factors are outlined in the earnings release as well as in documents filed by the company with the Securities and Exchange Commission. You can find these documents both at our website and at [sec.gov](http://sec.gov).

So with that, let me turn it over to Pete to begin. Pete?

**Pete Gundermann:** Thank you, Debbie, and good morning, everybody. We're going to talk about our first quarter, which was an interesting quarter and, from our perspective, a reasonable start to the year. I hope to explain that statement, because the numbers don't always line up the way we would like them to on any individual period.

But the highlights for the first quarter are, first of all, very strong revenue and bookings, especially for our Aerospace business, which saw, once again, record sales, record bookings, and ended the quarter with a record backlog. The bad news for the quarter, of course, was that we faced margin pressure from a number of different directions. We're going to spend quite a bit of time on this call talking through the issues, but they have to do with certain acquisition-related and legal expenses, and certain of our operations had a difficult quarter or difficult start to the year. And the reality is that, even though we had pretty strong revenue for our history of \$179 million, our company today is sized for something greater than that.

Luckily, we think that most of these margin pressures are going to take care of themselves, or be moderated as we work through the year. And again, we're going to spend quite a bit of time talking about why we think that's the case. But long story short, we think our second quarter sales are going to increase pretty dramatically, that's the quarter we're in right now, from \$179 million, to something close to \$200 million. We expect our Test business to more than double in sales. And, we think the weaker parts of our Aerospace business are making substantial progress in terms of minimizing the losses that we've been incurring over the last couple of quarters.

And finally, the acquisition and legal expenses, which definitely impacted our first quarter, are going to drop to less than half in the second quarter and drop again in the third quarter such that in the second half of the year they will become relatively modest.

So the first quarter: Revenue was strong at \$179.1 million, that's our highest revenue in over two years, above our comparator period of the first quarter of 2017 by over 17%. Our acquired businesses, since the first quarter of last year, primarily Telefonix PDT, but also CCC, added \$25.1 million in revenue to the first quarter results. Our organic growth, on the other hand, was therefore pretty modest at only about 1%.

Our Aerospace sales in the first quarter were \$164 million, just shy of \$165 million, up 20% from the comparator period when we had sales of \$137 million. That is a new record.

Test sales were only \$14.5 million. Our Test segment had a difficult quarter, that's down 7% from last year and down pretty dramatically over the last couple of quarters and down quite a bit from where we expect them to be going forward. It's really just an issue of program timing, customer orders, and we expect these problems to resolve themselves naturally as we move through the year. As I already said, we expect our Test business to more than double their sales in the second quarter.

Again consolidated, our bookings were strong at \$196 million. That's another positive book-to-bill of 1.1 and left us with a backlog of just shy of \$400 million at the end of the first quarter. That is a new record for the company.

But of course, the bottom-line results were light. We ended up with net income of \$3.3 million, 1.8% of sales, down substantially from \$11.6 million, or 7.6% of sales, in the first quarter of 2017. Diluted earnings per share were \$0.11.

Our margins struggled under a range of pressures. I talked about the Test business which had an operating loss of \$1.9 million on the very low volume. For Aerospace, largely due to the Telefonix acquisition, we had purchase accounting expenses of \$4.7 million in the first quarter. That is made up of intangible asset amortization of \$3.4 million and inventory step-up expense of \$1.3 million. So, the total again for acquisition related expenses in the quarter was \$4.7 million. That number is going to drop as we go through the year, and we'll talk about that in a minute.

We also had a legal reserve in the quarter of \$1 million due to a long-standing dispute that we have been working our way through. It's been something that's been happening both in the U.S. and in Germany. While we've been very successful in the U.S., we've not been as successful in Germany. Our advisors have suggested that we're likely to face a \$1 million penalty at some point, probably next year, and that litigation continues. So, we will see how it ends up at the end of the day, but we did take a \$1 million reserve in the first quarter.

And then we have three struggling Aerospace operations. We talked about these three in the last call a little bit. They are companies we refer to as CCC, AeroSat, and Armstrong. Consolidated, those three put up an operating loss in the neighborhood of \$8.9 million in the first quarter. We expect that to lessen going forward, and we'll talk about that in a minute also.

And finally, again, volume of \$179 million, though, it's one of our highest revenue quarters ever, our company is sized to do something greater than that. And we would expect to be much closer to \$200 million, on average, over the course of the year for 2018. We think our margin profile will look substantially different at \$200 million.

Going into our segments in a little bit more detail, Aerospace first. Revenue was just shy of \$165 million, up 20% from the comparator quarter of \$137 million. That is a new record as I mentioned. Operating profit was \$13.1 million, or 8% of sales. The things hurting us primarily were the purchase accounting adjustments, the legal accrual, and three struggling business units, in particular.

Bookings, however, were really strong, at \$181 million. That is our strongest Aerospace quarter ever and continues an encouraging trend with a book-to-bill for the quarter of 1.1 and leaving us with a backlog of \$306 million. So again, for our Aerospace segment: record revenue, record bookings, record ending backlog.

Moving to our Test segment quickly, revenue was \$14.5 million. That's down 7% from last year and well below where we expect our Test business to be for 2018. At that volume, the operating profit was a loss of \$1.9 million. Bookings, however, were positive, with \$15.3 million in bookings, for book-to-bill of 1.06, leaving us with a backlog of \$92.3 million.

The real issue with our Test business, very simply, was just the scheduling of deliveries and some orders that we expected to get, are still expecting to get, kind of a long frustrating story. But we think our Test business is in pretty good shape for the year. We just need to get some of the schedules to cooperate and align.

So looking forward, what do we expect to happen the rest of this year and what do we expect to happen to margins, in particular? We are largely maintaining our initial guidance, which we released back in January, but we're bringing up the low end a little bit based on our booking success.

So today, we're forecasting consolidated revenue of \$765 million to \$815 million for the year, that's an increase of about 26% at the midpoint over last year. We expect Aerospace to be \$650 million to \$680 million. The midpoint would suggest growth of about 24%. In Test, we expect to be \$115 million to

\$135 million. That's the same range as before. The midpoint would suggest growth of just shy of 40% over where they were last year.

And again, we believe these ranges capture reasonable estimates, but there is some upside potential. Of course, there is always downside potential, too. We can pretty confidently say, based on the bookings we've received and the things that we're anticipating, that there is upside potential to those stated ranges.

Looking a little closer, we expect second quarter revenue to be about \$200 million. We expect the third quarter to turn in another jump equivalent to what we're expecting from Q1 to Q2. So, that put us in the \$220 million range.

So, let's talk a little bit about margins and try to explain why we think, as we said in the press release, that we think our operating margins in the second half of the year, as we get to the end of the year, will be somewhere in the mid-teens. That's well below where we were in the first quarter, obviously. And there has been comment and concern on our margin structure, in general.

I think the best way to do this in a short period of time would be to look back at the first quarter and play some if/then kind of games, particularly looking at Aerospace. We're going to look at our Aerospace segment, specifically, because that's where most of the noise is. We think our Test business, again, is going to end up at a pretty reasonable volume and be a solid contributor by the end of the year, so it will take care of itself. But 80%, 85% of our business is Aerospace and that's where most people pay the most attention.

So, first quarter Aerospace sales – I'm going to throw a bunch of numbers here – were about \$165 million and our operating profit was about \$13.1 million, that's 8%. We had, what I would call, some legal or acquisition-related expenses, most of which are going to drop off over Q2 and Q3, and that total, which will be gone by the time we get into Q3, is about \$4.1 million. So, if you take the \$4.1 million that's going to drop off, and you add it back to the \$13.1 million we had in Q1, our operating profit goes from 8.0% to 10.4%.

Now, we have the three operating units in our Aerospace segment, which have been causing us a fair amount of pain. I talked it about them before: CCC, AeroSat, Armstrong. The good news is that we feel we've got line of sight to bring their performance collectively as a group, up pretty strongly as we move through the year, not such that they're going to be incredibly profitable, but at least we will start to eliminate the operating losses or we'll work towards that substantially.

To give you an order of magnitude or to set the frame again, in the fourth quarter of last year, these three came in with an operating loss collectively of \$27.3 million that was largely weighted by a \$16.2 million impairment charge at Armstrong. That number was reduced effectively to \$8.9 million in the first quarter of this year, the quarter we're talking about today. That \$8.9 million included a \$2.1 million adjustment for a completion requirement on a program at CCC that we are very involved in, very engaged in. That would be the second estimate to complete adjustment for that program. We took a similar-sized one in the fourth quarter. We believe we're through that process now.

I'm sure we'll get questions on that. But this is a company we bought in April of last year and this program that we're referring to somewhat obliquely is something that's been growing and getting a ton of attention from around the company. We think we've got our hands around it now and we think this estimate to complete will be the last one.

So, that \$8.9 million loss for the first quarter, we expect to drop to about \$4.5 million in the second quarter and we expect that number to drop again to somewhere in the neighborhood of \$2 million in the third quarter. So, it's a little bit of a leap, but let's say that we get to the end of the year and we take that \$8.9 million operating loss collectively for those three companies in the first quarter and we were to turn it to a breakeven, that would be an addition of \$8.9 million back to operating profit, which would bring us up to 15.9% in the first quarter.

So again, looking at the purchase accounting adjustments and legal accrual, and assuming we can get those three operating companies back to breakeven or close to it, we would have had operating margins in the first quarter of 15.9%.

In the first quarter, our Aerospace sales were \$165 million. In the second half of the year, we expect them to be up about 15% to 20%. So, the combination of those things on the Aerospace side, combined with the

pending backlog that we have to deliver against on the Test side, give us reasonable confidence that we're going to have a much stronger margin profile as we work through the year.

I think that's my prepared remarks, little bit shorter than normal. But it's the first quarter, so it's always a little less to talk about. Rob, we can open it up for questions now.

**Operator:** Thank you. At this time, we will be conducting a question-and-answer session. [Operator instructions] Our first question is from Ken Herbert with Canaccord Genuity. Please proceed with your question.

**Ken Herbert:** Good morning, everybody.

**Pete Gundermann:** Good morning.

**Ken Herbert:** Pete, I appreciate the additional detail. I just wanted to confirm, so is the assumption that the \$1 million you spent on legal this quarter and the money you spent on the loss reserve that those completely drop off in the second quarter or are those lingering into the second quarter as well?

**Pete Gundermann:** Those two particularly completely drop off, I mean, assuming we don't have another estimate to complete. This program we're working on, the one in question at CCC is one that's going to wrap up in the second half of this year and we do quarterly reviews. The assumption is that we have it under control and we know what it's going to take to finish the program. But if we have a surprise, theoretically, we could have another charge there, but we're not planning on that, certainly.

**Ken Herbert:** Okay. So if I look at the sort of the loss reserve at – the loss reserve around a particular program, legal, obviously, the inventory step-up and the intangible amortization, of those, the intangible amortization obviously steps down, I think you guided to sort of \$2.2 million in the second quarter then, down to a run rate of \$1.6 million. But those – so you should see sequentially at least from the first to the second quarter about the \$7.8 million dropdown to the \$2.2 million. I just want to make sure I've got that correctly.

**Pete Gundermann:** That's correct.

**Ken Herbert:** Thank you. Just bigger picture, with the comment on what you expect to ship from the backlog this year with what you've done in the first quarter, it looks like you've got about, give or take, to the midpoint of the guidance, about \$250 million in sort of book-and-ship sales still to come this year. I'm just curious if you can provide some commentary around that? It sounds like Test is probably a bit more of a wild card as part of this just considering timing. But maybe confidence around this sort of book-and-ship business between now and the end of the year and areas where you might say there is even still some risk, although it certainly sounds like you're a little more confident on the Aerospace side.

**Pete Gundermann:** We feel pretty confident. Dave did a comparison of our book-and-ship requirements this year compared to last year. I don't know if you want to jump in on this one.

**Dave Burney:** I think we're really confident that the orders that we'll take in, in the next few quarters will be able to get us to that midpoint of the guidance. We're seeing continued strong bookings. The first quarter was strong. Fourth quarter last year was strong. We see no reason to think that those booking trends are going to change. So yeah, we're really confident that the book-and-ship will get to that point.

The biggest part of our book-and-ship is our cabin business, and the cabin business tends to get orders with roughly an 8 to 13-week lead time. So while we don't have complete visibility, we do have an idea of what's going on in the market and what we expect to see in there for the balance of the year.

**Ken Herbert:** That's helpful. And just finally, you highlighted in the release some mix, customer pricing and pressures specifically in the cabin power segment. Can you just comment more on that? And are you expecting that to maybe abate as you go through the year? Or is that in a particular – I'm guessing, on the original equipment and maybe the retrofit side as well, or any more color around that would be helpful.

**Pete Gundermann:** It's a modest challenge for our business. I color it making three points: The first point is, it's a much larger business than it has been before around the world and in the mind of the industry. So to some extent, we have bigger customers buying more product, they expect pricing advantages. And we're working our margins on our cost side to accommodate that, but we've certainly been in situations where

we've agreed to more aggressive pricing in exchange for longer contracts or bigger orders. So, that's part of it.

The other part of it is that we're making this transition from wide-body operators to narrow-body operators and, in some cases that is a shift in market enough to bring in new competitors who maybe want to offer a much lower cost system without the intention, frankly, of ever being offerable at the OEMs. Our systems are designed so that when we sell a program to an airline and they want to retrofit their fleet, and then they want to buy some new airplanes from the OEMs, primarily Airbus and Boeing, they want the same system. So the system, in order for Airbus and Boeing to put it on the airplane, has to be offerable at Airbus and Boeing. That means it has to be designed and built and tested and approved to their specifications, and we do that. That's our standard way of operating. For the most part, our traditional wide-body customers who also offer narrow-body airplanes or fly narrow-body airplanes, as they put our products on their narrow-body fleets, they know that value proposition, they understand that value proposition and they're onboard.

There are occasionally narrow-body operators who don't have that historical wide-body experience and don't understand the value proposition. It's a little bit more of a struggle for us in those situations. But we are doing well. We always talk about having more than 90% market share. I think we can very confidently say that we're maintaining that. That's an important objective of ours as we manage this transition from wide-body to narrow-body and from 110-volt/USB to USB-only.

**Ken Herbert:** And just finally, you mentioned specifically you expect the Test Systems to double. I'm assuming that comment was about sequentially from the first to the second quarter?

**Pete Gundermann:** Correct.

**Ken Herbert:** Thank you very much. I'll pass it on there. Thank you.

**Pete Gundermann:** Thanks, Ken.

**Operator:** Our next question is from Michael Ciarmoli with SunTrust. Please proceed with your question.

**Mike Ciarmoli:** Good morning, guys. Thanks for taking my questions.

**Pete Gundermann:** Good morning.

**Mike Ciarmoli:** Pete, maybe I missed it, did you just say there were three points driving the mix and pricing in the cabin?

**Pete Gundermann:** I kind of merged two of them together.

**Mike Ciarmoli:** Got it. Just want to make sure we didn't miss anything there. Just on the CCC, Armstrong, AeroSat, you couldn't have anticipated that they would run at a loss seemingly all year? Should we expect these businesses to be dilutive to margins even as we go into 2019?

**Pete Gundermann:** Well, it's a little early to talk about 2019. But let me maybe rundown what we see happening at each of those three companies.

**Mike Ciarmoli:** Can they get to that, in line average? Can you bring them up to sort of, historically, where you've been?

**Pete Gundermann:** Definitely.

**Mike Ciarmoli:** Okay.

**Pete Gundermann:** I think we have clear line of sight, I would say, in two of the three, and the third one is a little bit more of a development effort, but we're hopeful there also. I think all three are making really good progress. CCC is struggling with a program that we're not allowed to talk too much about right now, but we think it's going to be a very worthwhile program once it gets going. And it'll get going, we believe, towards the end of this year and carry us into next year, so we're excited about that.

Armstrong has had a tremendous turnaround in terms of market presence and customer orders. I think we're as excited about that business as we have been since we've owned it. So, it's not out of the woods

and it's not going to be tremendously profitable this year, but it's certainly going to have the volume to work with, which is something that's been half the battle up till now.

Then AeroSat has a number of initiatives. The tail-mount large business jet program that we've been talking about forever is finally showing solid momentum. With our partners on that effort, we knocked down some hurdles. We have six airplanes working, and they're working well. We expect much more volume in the second half than we've had in the first half. With that, AeroSat's performance will improve pretty dramatically, too. So, I think with all three we have line of sight, but it's a little early for us to do our budgeting on the fly here for 2019. That's an exercise we typically don't get into until the October timeframe or so.

**Mike Ciarmoli:** What about organic growth, clearly light in the quarter. Even the biggest sub-segment of Aero, the electric power motion, I guess was an improvement, but still below 1. You talked about the booking strength. You guys continue to spend a lot on R&D, 13% of sales. I would have expected better organic growth performance. And it sounds like, we should see organic growth acceleration into the remainder of the year based on that revenue cadence you gave us, but is there anything else in the marketplace or kind of – rates are going up. It seems like the aftermarket retrofit's good. You did mention the wide-body/narrow mix. But I guess with the bookings trends above 1, the R&D investment, I would have expected maybe a more consistent pick-up in organic growth.

**Pete Gundermann:** When we were doing our budgeting at the end of last year, we were thinking that our first quarter would be stronger than it was revenue-wise. But it's really just a function of orders and timing and it's just the way it worked out. We think that it's all snowballing in a sense. Look at our inventory build-up on our balance sheet and look at the head count additions and the backlog and the orders, and it's all coming in. But definitely some things that we thought would happen in the first quarter have moved out a little bit.

I'd like to tell you one little story from our Test business, which just accentuates the point. It's not uncommon when you get a big Test order to have what's called a post-award conference where you meet with a customer and you do some planning for timing, and scheduling, and logistics, and clearing expectations of how the program is going to be managed. We had a customer schedule a post-award conference in February, we're in April, and we still don't have the order. So, the post-award conference turned into a pre-award conference. It's just an example of how we expected that order, which was material, to contribute to Q1 results and we still don't have it. So, some situations like that, you put two or three of those in a quarter in a company of our size, and it definitely has a material effect. But it's not as though our markets are softening, we don't think. It's not as though there are competitive threats that we don't have answers to. It's just a matter of customer timing and the way the ball bounces sometimes.

**Mike Ciarmoli:** Got it. And then just the last one. Have you given or would you be willing to say what you think organic growth will be for the year or what you think the acquired revenue contribution is going to be this year?

**Pete Gundermann:** We haven't given it. But Dave is giving me the caution finger as he looks something up.

**Dave Burney:** We talked earlier, I think in the last call, about the Telefonix PDT contribution this year in the \$70 million to \$80 million range. Then CCC was onboard last year for all, but the first quarter. So, that's really the only significant adjustment you have to make to get to organic.

**Mike Ciarmoli:** Okay. Thanks, guys. I'll jump back in the queue here.

**Pete Gundermann:** Okay.

**Operator:** Our next question is from George Godfrey with C.L. King. Please proceed with your question.

**George Godfrey:** Thank you and good morning. Thank you for taking the question.

**Pete Gundermann:** Good morning.

**George Godfrey:** Thanks for all the color on the margins and the expenses. Backlog and order growth looks fantastic. Just one question. Is there anything that would structurally be different about the profitability

of the future business as it comes on? We always read about how Boeing is always pushing back on suppliers and pricing and want to be more aggressive in the aftermarket. So just want to be sure that there is nothing pricing or margin difference in the future business. Thanks.

**Pete Gundermann:** I don't think so, George. It's certainly a competitive world out there. We have lots of companies that like to eat our lunch before we do. But for the most part, I think we're holding our own reasonably well. Boeing is an important customer to us, but not our sole customer by any means. We haven't had any contract renegotiations recently. We don't have any that I'm aware of in the immediate future. But there's always cost/time pressure. But I think the little exercise I walked through demonstrates that if we could just get some struggling companies to breakeven and if we could work our way through some purchase accounting challenges and some legal accruals that our margins are actually not in terrible shape. They jump right up to the mid-teens pretty quickly and that's without the effect of the increased volume that we expect to happen over the coming quarter.

So, we're not pleased with how the first quarter margin show up, but we don't think that that's representative of where the business is or where it will be as we work through the year.

**George Godfrey:** Great. Thank you for taking my question.

**Pete Gundermann:** Sure.

**Operator:** Our next question is from Jon Tanwanteng with CJS Securities. Please proceed with your question.

**Jon Tanwanteng:** Good morning, gentlemen. Thanks for taking my questions.

**Pete Gundermann:** Good morning.

**Jon Tanwanteng:** Any update on the semi Test business, your competitiveness in that space and especially on new programs versus your legacy customer and kind of how it plays heading into 2019?

**Pete Gundermann:** Well, again, we'd say it's a little early to talk confidently about 2019. I think we continue to feel we're making pretty good progress. We think this year will be a big step-up over last year. I think our team in that area has done a good job covering the world. Really, we're all over the place, talking to all the potential customers and everybody knows who we are, we've established the name from nowhere a few years ago. So, I'm pretty confident. I think the real issue with 2019 is going to be customer timing. We're doing the things we need to do to demonstrate the technology, improve the value. I think the customers, in general, understand that and appreciate it. The challenge is pushing the go button and getting through the necessary development proof-of-concept exercises that they need to go through when they spend the money that we're talking about with these programs.

So, I think we're confident. 2018 is going to be a big step-up over 2017, a little early to talk confidently about where 2019 will be. But the potential's there for it to be a pretty good year.

**Jon Tanwanteng:** Thanks. And then just because it was in the news, do you guys have any exposure in terms of Iranian carriers and kind of the nixing of the Iran deal? Would there be any impact from Boeing and Airbus not shipping planes there to you guys?

**Pete Gundermann:** Nothing major. We do work with airlines around the world and we obviously do what we have to do to stay within the letter of the law. But I would say, we don't have anything major involved over there.

**Jon Tanwanteng:** And finally, Dave, just a quick update on the cash flow. I know you'd said last quarter that you didn't expect to build too much cash given the inventory and working capital build. Just a quick update on that.

**Dave Burney:** Same picture. As we expect the year to grow as we go on, it's going to consume some of our free cash flow and building up the inventories and receivables. We don't expect to be able to reduce our debt load probably until into the fourth quarter of this year. If you look at the forecast that Pete talked about with heavy loading in the last half of the year, we do expect the working capital to continue to increase a little bit as we go forward through the second quarter.

**Jon Tanwanteng:** Okay. Great. And thanks again for the margins. That was helpful.

**Pete Gundermann:** Sure thing.

**Operator:** Our next question is from Dick Ryan with Dougherty & Company. Please proceed with your question.

**Dick Ryan:** So, Pete, on the topic of increased competition moving from wide into the narrow-body world, are they just using the presence of some other competitors to get better terms from you or have you actually lost any kind of meaningful awards that you were going after?

**Pete Gundermann:** We haven't lost anything real meaningful. There are some little programs here and there that do something we don't like. But there are a couple of dynamics that we think play to our favor. First of all, this is a lot harder to do than people think. It's easy to cobble together a system, but it's hard to do it really well and reliably. And I think, for the most part, customers around the world understand that and appreciate it.

The operable issue is a big deal. And there's actually a fair amount of migration in power, you wouldn't think about it. Most people think about their 110-volt electrical outlet in the wall of their house hasn't changed much over the last 20 years. But when you think of the kind of systems that we put on the airplanes, they actually do change a lot. One of the things we offer is the been-there-done-that lessons of life. You want a basic USB system, we have that. You want USB combined with 110-volt, we have that. You want 110-volt in various power levels, we have that. You want to go USB Type C, which is an emerging technology and it will eventually obsolete the current USB, we have that, too. You want to go wireless, we are demonstrating and showing wireless technology now.

So, the breadth of product is unmatched and unrivaled. At the end of the day, we're going to be successful. We just don't want to take our foot off the gas at all from a competitive standpoint as the technology spreads and goes around the world and goes from wide-body to narrow-body. So maybe that gives you a little more context for it.

**Dick Ryan:** Sure. And looking at the strong winds you had in ISP last year in Asia and the U.S., some of those installations were going to start in early 2018 and go out for the next several years. Has there been any delay in those installations or are they tracking to your previous timeframe expectations?

**Pete Gundermann:** They're tracking more or less as we would expect. There are always moving parts that go in and out, but nothing that changes our overall expectations for the year, obviously, or we would have to reflect that in our revenue guidance. Actually, on the Aerospace side, we're effectively raising our guidance by bringing up the low-end a little bit. So, no, nothing major sliding out.

**Dick Ryan:** On the Test side, you mentioned deliveries and anticipation of orders. We had some other commentaries from some backend test companies that threw some caution out there with the major player. And I'm just wondering if you're keeping guidance as is, what gives you the visibility that that slip from February to April isn't going to slip until summer or early fall, if by then?

**Pete Gundermann:** Well, that slip that I was talking about was actually an A&D slip, not a semi slip, just to be clear.

**Dick Ryan:** Okay.

**Pete Gundermann:** So, no. You can always be surprised, I suppose, that firm orders and backlog and those schedules aren't moving, except to the extent that they need to move for logistics reasons. But nothing major at this point. So, we're not expecting that.

**Dick Ryan:** Okay. One last one, E&D combined organic with acquisitive, it looks like it's like 15-ish percent or so. What should we expect for that in the remainder of the year?

**Pete Gundermann:** We're expecting that to pretty much match to forecast. It was a little high percentage-wise because of the lower revenue. Frankly, we are pretty confident that Q1 will be our lowest revenue quarter for the year, and our spending will stay largely the same in actual dollar terms, but it will drop in percentage terms as revenue climbs.



**Dick Ryan:** Okay. Thank you.

**Operator:** Ladies and gentlemen, we've reached the end of the question-and-answer session. At this time, I'd like to turn the call back to Pete Gundermann for closing comments.

**Pete Gundermann:** Thank you, Rob, and thanks everybody for attending. We look forward to a better report at the end of Q2. Thanks for your interest. Have a good day.

**Operator:** This concludes today's conference. You may disconnect your lines at this time. And we thank you for your participation.